

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 01699 030226Z

22

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-11 H-02 L-03 PRS-01

PA-01 USIA-06 CEA-01 SP-02 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /103 W

----- 018843

R 030145Z FEB 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1790

LIMITED OFFICIAL USE MANILA 1699

USADB

FOR NAC AGENCIES

PASS TREASURY FOR ZINMAN

E.O. 11652: ADS, DECLAS 5/2/76

TAGS: EAID, EFIN

SUBJECT: REVIEW OF BANK'S RESOURCE POSITION AND PROPOSAL FOR
INCREASE IN BANK'S CAPITAL STOCK

1. AT THE MEETING OF ADB BOARD OF DIRECTORS ON JAN. 27,
ADB CONTROLLER UNDER OTHER BUSINESS RESPONDED TO QUESTIONS
BY THE INDIAN ALTERNATE DIRECTOR AND OTHERS CONCERNING
BASIS FOR VALUATION AND CALCULATION OF PROPOSED
CAPITAL INCREASE AND RELATED SUBSCRIPTION PAYMENTS
IN VIEW OF UNCERTAINTY OF FUTURE RELATIONSHIP OF
GOLD TO U.S. DOLLARS. ADB PRESIDENT EXPLAINED THAT
SINCE JAMAICA DECISIONS WILL LARGELY FORMALIZE
CURRENT PRACTICE HE DID NOT ANTICIPATE SIGNIFICANT
DIFFERENCES IN COMPUTATION OF SUBSCRIPTION PAYMENTS
AND HOPED CAPITAL INCREASE WOULD NOT BE DELAYED. HE
SAID THAT BANK WILL STUDY ISSUE AND WILL KEEP DIRECTORS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 01699 030226Z

INFORMED.

2. ADB PRESIDENT POINTED OUT THAT IF THERE ARE AMENDMENTS TO ARTICLE 4 CONCERNING CHANGES IN BANK UNIT OF ACCOUNT THEY WOULD BE PROPOSED SIMULTANEOUSLY WITH OTHER INTERNATIONAL DEVELOPMENT BANKS TO FACILITATE LEGISLATIVE APPROVALS BY MEMBER GOVTs.

3. ADB PRESIDENT SAID THAT IMF MEMBER COUNTRIES APPEAR TO HAVE THREE ALTERNATIVES. THE FIRST IS DEFINITION OF A CURRENCY IN SDRS OR IN OTHER NON-GOLD CURRENCIES WHICH ARE FAVORED BY DEVELOPING COUNTRIES. SECOND IS A DEFINITION IN TERMS OF A GROUP OF CURRENCIES SUCH AS JOINT FLOAT OF EUROPEAN CURRENCIES. THE THIRD IS INDEPENDENT FLOATING WHICH MIGHT BE FAVORED BY U.S. AND JAPAN. IF U.S. SELECTS INDEPENDENT FLOAT, BANK COULD CONSIDER ADOPTING SDR UNIT OF ACCOUNT OR CONTINUE USE OF U.S. DOLLAR.

4. FYI FOLLOWING IS STATEMENT BY ADB CONTROLLER:
QUOTE

5. WITH REGARD TO THE PROPOSAL FOR AN INCREASE IN THE BANK'S CAPITAL STOCK, AS PRESENTED IN THE BOARD PAPER R111-75, I WOULD LIKE TO CLARIFY CERTAIN POINTS BECAUSE THERE HAVE BEEN SOME QUESTIONS RAISED AS TO THE BASIS FOR VALUATION AND CALCULATION OF THE PROPOSED INCREASE AND RELATED SUBSCRIPTION PAYMENTS IN VIEW OF THE UNCERTAINTY AS TO THE FUTURE RELATIONSHIP OF GOLD WITH US DOLLARS.

6. THE TOTAL AMOUNT OF THE PROPOSED CAPITAL INCREASE IS AN AMOUNT INNER QUOTE EQUAL TO AT LEAST 135 PERCENT OF THE CAPITAL STOCK OF THE BANK EXISTING IN 1977, END INNER QUOTE AS STATED IN PARAGRAPH 52(II) OF THE BOARD PAPER. THIS MEANS THAT THE BASIS OF VALUATION AND CALCULATION OF THE PROPOSED 135 PERCENT INCREASE IS THE VALUE OF THE ORIGINAL AUTHORIZED CAPITAL STOCK AS DEFINED IN ARTICLE 4 OF THE BANK'S CHARTER IN TERMS OF THE UNITED STATES DOLLAR OF THE WEIGHT AND FINENESS IN EFFECT ON 31 JANUARY 1966, I.E., THE US DOLLAR WITH A LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 01699 030226Z

GOLD CONTENT OF 0.888671 GRAM, AND THE VALUE OF THE SUBSEQUENTLY INCREASED CAPITAL STOCK OF THE BANK ALSO IN TERMS OF THE 1966 US DOLLAR AND WITH THE SAME GOLD CONTENT AS DEFINED IN THE RELEVANT RESOLUTIONS OF THE BOARD OF GOVERNORS. SINCE THE VALUE OF THE ORIGINAL AUTHORIZED CAPITAL STOCK AND THE VALUE OF THE SUBSEQUENTLY INCREASED CAPITAL STOCK ARE CLEARLY DEFINED IN THE CHARTER AND THE RELEVANT RESOLUTIONS OF THE GOVERNORS, THERE

SHOULD BE NOT UNCERTAINTY ABOUT THE PROPOSED CAPITAL INCREASE.

7. IN THE BOARD PAPER, THE VARIOUS FIGURES ARE EXPRESSED IN TERMS OF CURRENT US DOLLARS FOR THE PURPOSE OF MAKING PROJECTIONS TO DETERMINE AN APPROPRIATE SIZE OF A CAPITAL INCREASE. THE FIGURES SO EXPRESSED IN CURRENT US DOLLARS, HOWEVER, WILL NOT NECESSARILY REPRESENT THE AMOUNTS OF SUBSCRIPTION PAYMENTS WHICH MEMBER COUNTRIES MAY MAKE UNDER THE PROPOSED CAPITAL INCREASE. THE ACTUAL CAPITAL SUBSCRIPTION PAYMENTS WHICH MEMBER COUNTRIES MAY MAKE UNDER THE PROPOSED CAPITAL INCREASE WILL DEPEND ON THE VALUE OF THE PARTICULAR CURRENCY TO BE USED BY MEMBER COUNTRIES IN, AND AT THE TIME OF, MAKING SUCH PAYMENTS, IN RELATION TO THE VALUE OF US DOLLARS IN EFFECT ON 31 JANUARY 1966.

8. SINCE THE AMOUNTS OF CAPITAL STOCK SUBSCRIBED BY MEMBER COUNTRIES AND THEIR OBLIGATIONS TO MAINTAIN THE VALUE OF THE CAPITAL STOCK ARE ALL BASED ON THE VALUE OF US DOLLARS IN EFFECT ON 31 JANUARY 1966, THE MAINTENANCE OF VALUE OBLIGATIONS OF MEMBER COUNTRIES WILL CONTINUE UNTIL AND UNLESS THERE IS A MAJOR CHANGE IN THE DEFINITION OF THE VALUE OF THE US DOLLAR OR IN THE DEFINITION OF THE VALUE OF THE CAPITAL STOCK OF THE BANK.

9. DEVELOPMENTS IN THIS REGARD WILL BE CAREFULLY FOLLOWED AND CLOSE CONTACT WILL BE MAINTAINED WITH THE IMF, THE IBRD AND OTHER SIMILAR INTERNATIONAL INSTITUTIONS. IN DUE COURSE, PROPOSALS WILL BE SUBMITTED TO THE BOARD, AS NECESSARY, TO CHANGE THE BANK'S PRESENT ARRANGEMENTS FOR VALUATION OF THE BANK'S SHARES, OF THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MANILA 01699 030226Z

CURRENCIES HELD BY THE BANK AND FOR MAINTENANCE OF VALUE.
UNQUOTE.
SULLIVAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, MEETINGS, DEBT REPAYMENTS, CAPITAL (FINANCE)
Control Number: n/a
Copy: SINGLE
Draft Date: 03 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MANILA01699
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760039-1044
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760288/aaaaczzk.tel
Line Count: 157
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 07 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 JUN 2004 by greeneet>; APPROVED <30 JUN 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REVIEW OF BANK'S RESOURCE POSITION AND PROPOSAL FOR INCREASE IN BANK'S CAPITAL STOCK
TAGS: EAID, EFIN, ADB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006